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**FISCAL IMPACT STATEMENT**

**LS 7052**

**BILL NUMBER:** SB 360

**NOTE PREPARED:** Feb 18, 2013

**BILL AMENDED:**

**SUBJECT:** Tax increment financing.

**FIRST AUTHOR:** Sen. Grooms

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:**      **GENERAL**  
                                 **DEDICATED**  
                                 **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill specifies that in the case of certain tax increment financing (TIF) allocation areas, the expiration date of any allocation provisions for the allocation area may not be more than 30 years after the date on which the allocation area was last expanded.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Summary:* This bill would extend the life of certain allocation areas by up to five years. When a TIF allocation expires, the allocated AV is added back to the tax base used to calculate tax rates, causing tax rates to drop. The lower tax rates reduce property taxes for all taxpayers and may reduce exposure to circuit breaker losses for local civil taxing units and school corporations. The extension under this bill of the allocation expiration date would also delay the tax rate reduction and the associated effects.

*Background:* Currently, a redevelopment commission may declare an area to be an area in need of redevelopment. The commission may declare areas within the redevelopment area to be TIF allocation areas. Property taxes charged on new AV in an allocation area are allocated to the redevelopment commission. Allocated AV is excluded from the tax base that is used to calculate property tax rates.

Under current law, allocation provisions established after June 30, 1995, but before July 1, 2008, must expire within 30 years. Allocation provisions established after June 30, 2008, must expire within 25 years.

Under this bill, the allocation would expire within 30 years from the date that the allocation was last expanded if:

- 1) The allocation area contains a technology or research center that was established before 2012 and is operated by or affiliated with a state educational institution; or
- 2) The allocation area was established in 1990 and was expanded in 2008.

**State Agencies Affected:**

**Local Agencies Affected:** Redevelopment Commissions; Local civil taxing units and school corporations.

**Information Sources:**

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.